Nova Scotia Department of Finance

Accountability Report
2004-2005

NOVA SCOTIA
Department of Finance

106-05015/

Department of Finance

Accountability Report for the Fiscal Year 2004-2005

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Accountability Statement

The Accountability Report of the Department of Finance for the year ended March 31, 2005 is prepared pursuant to the *Provincial Finance Act* and government policy and guidelines. These authorities require the reporting of outcomes against the Department's business plan for the fiscal year 2004-2005. The reporting necessarily includes estimates, judgments, and opinions of the Department of Finance's management.

We acknowledge that this accountability report is the responsibility of the Department of Finance. The report represents, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Department of Finance's business plan for the year.

Honourable Peter G. Christie
Minister of Finance

Vicki Harnish
Deputy Minister

December 5, 2005

Message from the Minister

I am pleased to present the Department of Finance's accountability report for the fiscal year 2004-2005, highlighting our considerable progress on the goals and activities outlined in our business plan.

Working with our partner departments, Finance developed and implemented a very successful fiscal plan for Nova Scotia in 2004-2005. The province ended the year once again in a surplus position, with revenues exceeding expenses by $165.3 million. We also reduced the level of our net direct debt in 2004-2005.

We did a lot of work in 2004-2005 to improve administrative and governance processes in the Department of Finance as part of our responsibility to provide central agency support and policy direction for effective management of the province's finances.

This work has been received positively by our stakeholders. We are pleased to see our bond rating agencies upgrade the province's credit rating and outlook over the last year.

I would like to thank staff of the Department of Finance for their efforts on behalf of Nova Scotians to ensure that government manages taxpayer dollars in the most effective way possible.

Honourable Peter Christie
Minister

December 5, 2005

Accountability Report, 2004-2005

This Accountability Report is based on the goals, priorities and intended outcomes that were included in the Department of Finance's Business Plan, 2004-2005. The purpose of the report is to account for progress made in achieving the goals and priorities, and to measure performance within key business areas. Historical and comparative information has been included within the performance measurement section to provide greater depth and precision, and to enhance the meaning of the information for the reader.

Mission

Establish a fiscal climate conducive to economic growth and provide central agency support and policy direction for effective management of the Province's finances.

Strategic Goals, 2004-2005

1. Enhance financial accountability and fiscal planning to improve the management and control of the Province's finances.

2. Achieve effective money management that maximizes return on investments and minimizes debt servicing costs within acceptable risk tolerances.

3. Provide for equitable, efficient and effective taxation that promotes economic growth in a strategic way.

4. Provide a core set of central agency services that supports other government departments and agencies in the management of the province's programs and public resources.

Progress and Accomplishments: Priorities for 2004-2005

Priorities included in the 2004-2005 Business Plan were grouped under the relevant Core Business Area. The same format has been followed for the Accountability Report.

Core Business Area: Financial Management

A core business that involves financial accountability in the management and control of the province's finances, expenditure monitoring and reporting (shared with Treasury & Policy Board), and accounting, payroll, and pension administration.

Priority No. 1

Enhance accountability by continuing to encourage compliance with Public Sector Accounting Board (PSAB) Guidelines and Generally Accepted Accounting Principles (GAAP).

Accomplishments, 2004-2005

- Fiscal and economic reports were produced ,in conjunction with Treasury and Policy Board, in September and December of 2004. The reports provided timely financial updates and consistent budget-related information. The auditor-general provided an unqualified audit opinion, confirming the province's financial statements are in order and in compliance with generally accepted accounting principles (GAAP).
- The Department produced its annual accountability report for 2003-2004 in compliance with the *Provincial Finance Act*, and according to the guidelines developed by Treasury and Policy Board.
- The Department introduced changes to the *Provincial Finance Act* which altered the release date of the Public Accounts to September 30. The new deadline was met, and the province's public accounts (for fiscal year ended March 31, 2004) were released on September 30, 2004, and in compliance with Generally Accepted Accounting Principles (GAAP).
- Accounting principles for the Canadian government are developed by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB). Nova Scotia remained ahead of most provinces in implementing PSAB financial reporting standards. Staff continued to review the province's accounting policies, applying the policies to various scenarios and completing the annual assessment tool (PSAB checklist) in search of deficiencies. The new PSAB-recommendations on liabilities, commitments and contingencies, which defined the point at which a liability exists and should be recorded, regardless of when a payment would be made, were implemented.

- Work began to ensure the 2004-2005 *Public Accounts* reflect the new PSAB recommendations (Financial Statement Discussion and Analysis) for specific information included in the consolidated financial statements

Priority No. 2
Provide further support for the province's Debt Reduction Plan that includes: an annual process of creating surpluses and contingency reserves for debt reduction, establishing a Debt Retirement Fund and designating a portion of revenues to the fund.

Accomplishments
- The establishment of a debt retirement fund was the centerpiece of the 2004-2005 *Financial Measures Act (FMA, 2004)*. The province's commitment to reducing the debt was enshrined in legislation, with $6 million designated to the fund each year, beginning in 2004-2005. Changes to the debt reduction plan were initiated in the latter part of 2004-2005 and will be effected and applicable to 2005-2006 (pursuant to *Fin. Measures Act, 2005*).
- An actual surplus of $165.3 million was posted on March 31, 2005 which was applied to the debt.

Priority No. 3
Improve the efficiency and effectiveness of government accounting and payroll services by implementing the human resources and payroll modules of the SAP enterprise resource planning system.

Accomplishments

The implementation of a new SAP HR/Payroll system was completed for the Province in 2004-2005 and was enabled for use early in 2005-2006.The project involved the HR business community from across government and represents a major achievement in terms of new information technology to assist in the efficiency of government operations.

Core Business Area: Investment and Treasury Management
A core business that includes the processes, policies and procedures that ensure effective money management, maximizing return on investments, and minimizing debt servicing costs within risk tolerances acceptable to government. Specific business activities include managing the debt portfolio, provincial pension funds, and the treasury function.

Priority No. 4

- *Manage the investments, assets and liabilities of the province within an acceptable level of financial risk.*

Accomplishments, 2004-2005

Investment assets:

- Fund returns on a plan funding year basis for the pension plans exceeded the plans' assumptions. Fund returns were 7.83% , exceeding both the plan return assumption of 7.38% and the benchmark return of 6.53% for the period ended March 31, 2005. To strengthen internal controls, a high level risk framework was completed, along with a new Terms of Reference for the Investment Advisory Committee. In addition, updated signing authorities were developed and approved, and a new Statement of Investment Policies and Goals was developed in response to the Deloitte audit on governance and controls.

Priority No. 5

Strengthen investor relations by making strong presentations to rating agencies on the province's financial position.

Accomplishments, 2004-2005

- Moody's Investors Service raised the province's debt rating to A2 from A3, with a stable outlook. The investment group based its new rating on improvement in Nova Scotia's provincial debt indicators, economic gains of recent years and the government's commitment to maintaining balance budgets and achieving debt reduction objectives. A higher credit rating makes the province's bonds more attractive to investors and helps to lower the overall cost of borrowing.

Priority No. 6

Review and, if appropriate, modify the governance structures of the Teachers' Pension Plan (TPP) and the Public Service Superannuation Plan (PSSP) to ensure efficient and effective administration.

Accomplishments, 2004-2005

- A tentative agreement was reached with NSTU regarding the TPP after teachers voted on two funding alternatives developed by the Nova Scotia Teachers' Pension Partners Board. The proposal required the government to add about $142 million to the plan to match indexing given up by teachers, and change the plan's governance.
- Discussions continued with Public Service Plan unions. Discussions to date have been positive, with agreement on some basic issues.

Core Business Area: Fiscal Planning and Policy
This core business includes: fiscal planning and budgeting (shared with Treasury and Policy Board), revenue and economic forecasting, and tax policy/analysis and federal fiscal policies and arrangements.

Priority No. 7
Lead the development of a fiscal plan that includes a balanced budget for 2004-2005 and beyond, and, in partnership with Treasury and Policy Board (TPB), monitor, report and advise on ongoing implementation of the fiscal plan.

Accomplishments
- A $165.83 million actual surplus was achieved for 2004-2005. This is the 3rd consecutive surplus for this govt.
- Budget forecast updates were issued on September 15 and December 20, 2004, providing timely fiscal information.
- Presentations (in conjunction with TPB) were made to Executive Council to update the members on the 2004-2005 fiscal plan and, in the third quarter of the fiscal year, presentations began regarding the 2005-2006 budget/fiscal plan.
- In order to increase accuracy and timeliness of information, the department continued to refine the process of forecasting revenues and debt servicing costs throughout the year.

Priority No. 8
Effectively negotiate agreements with federal and other governments so that Nova Scotia's interests are well represented in areas such as federal transfer payments comprising Equalization, the Canada Health and Social Transfer and tax collection.

Accomplishments, 2004-2005
- New healthcare funding arrangements were made at the First Ministers Meeting (FMM) on September 16, 2004. The result was a 10-year increase in federal health care funding involving $3 billion in supplements to Federal-Provincial health transfers, the implementation of the Wait Time Reduction Fund, and $500 million for medical equipment.

- A new Equalization framework was established at the FMM on October 26, 2004. The new framework resulted in $33 billion over ten years for both Equalization and Territorial Funding, and a guaranteed 3.5% escalation to the level of the Equalization Program.

- A new Tax Collection Agreement was drafted with federal finance members and reviewed by provincial members. The agreement will update and renew tax collection policies between Nova Scotia and the Federal Government.

Priority No. 9

Evaluate tax initiatives, as well as the tax implications of any new programs/services, to achieve a competitive and responsive tax environment and to ensure cost-effectiveness in the use of public funds.

Accomplishments, 2004-2005

- New regulations were introduced on September 8, 2004 for Nova Scotia investments in Labour Sponsored Venture Capital Corporations (LSVCC). For investors to qualify for the tax credit, the LSVCCs must now have a local base of operations and target their investments to Nova Scotia companies: 75 per cent of an LSVCC's salaries and wages must be paid in Nova Scotia or 90 per cent in Atlantic Canada (including affiliates), and the principal decision-makers must reside in Atlantic Canada.
- The Large Corporation Tax/Capital Tax was increased to 0.30 per cent from 0.25 per cent on April 1, 2004. The tax is payable by about 1,400 of Nova Scotia's largest corporations, excluding banks and trust companies, based on their taxable paid-up capital (capital stock, retained earnings, and long-term debt). Firms with less than $5 million taxable paid-up capital are not required to pay the tax, while those with $5 - 10 million taxable paid-up capital pay a phased-in amount. The corporate capital tax paid by banks and trust companies also increased to four percent from three per cent of taxable paid-up capital, effective April 1, 2004.
- The planned increase in the small business threshold (increasing the maximum ceiling at which the 5% tax rate applies) was accelerated by one year. The province will follow the formula announced in the federal budget to determine the small business limit.
- The province adjusted the 10 per cent personal income tax reduction in 2004-05 to ensure necessary funding continued to be available for health and education priorities. The adjusted rates were effective for the 2004 tax year and payroll deductions were changed effective July 1, 2004. The 10 per cent cut remains in effect for Nova Scotia's lowest income earners. About 53 per cent of Nova Scotians kept their full 10 per cent tax cut, and more than 90 per cent of Nova Scotians paid less tax in 2004 than in 2003. A fourth income tax bracket was included for personal rates.
- Caregivers are now allowed to claim more medical and disability related expenses incurred on behalf of dependent relatives. As well, people with disabilities who incur expenses for

employment or educational purposes can deduct these expenses from their income instead of claiming a medical expense tax credit.

- Employees taking post-secondary education became eligible for a tax credit on non-tuition related expenses.
- Men and women serving in areas of conflict will benefit through provincial tax adjustments in keeping with federal tax changes.

Priority No. 10

Review management processes and procedures for Corporate Information System infrastructure and services, and formalize policies and standards to strengthen internal management controls within the SAP environment; review internal management controls in other areas of the Department, including investment and treasury services, and implement revised procedures and processes, if required.

Accomplishments, 2004-2005

- A project to help improve internal management systems and reduce risks related to financial and investment transactions was launched in response to recommendations of an audit on internal governance and controls. The department commissioned Deloitte Touche LLP in early 2004 to review the policies and processes in three divisions that handle major financial transactions for the province: liability management and treasury services, where financial transactions are conducted to borrow money and manage the province's debt; investment management, where investments are made to fund the major government pension plans; and capital markets administration, where transactions are processed for the above two areas.

- Deloitte's final report, *Results of an Audit of Governance and Control Framework*, was received by the department on November 29, 2004. The report noted that, compared to previous years, Nova Scotia's debt servicing costs are now significantly lower and more stable. At the same time, investment performance of the province's pension plans has been equal to or better than plans in the rest of Canada. However, some of the department's internal operating procedures and controls would need to be revised and enhanced to provide more robust governance and control systems and minimize the risks associated with financial activities. The department has begun to implement the recommendations which include: establishing a new division to provide day-to-day controls for financial transactions (i.e., middle office), formalizing operating policies and procedures, and revised governance structures.

- During 2004-2005, the department contracted for an annual service auditor review of Finance's SAP Customer Competency Centre.(CCC) This included a service auditor report on controls for the centralized SAP infrastructure and support functions performed by the CCC for government and a number of public service entities. This first report provided an opinion as at a point in time (November 14, 2004) and noted reservations of opinion for eight control procedures. The contractual arrangement with the service auditor calls for further audits. The department is committed to addressing all identified issues within the limitations of the department's ability to respond (ownership of some control procedures rest with outside agencies.)

Priority No. 11

Begin to implement Nova Scotia Community Accounts - statistical infrastructure comprised of a wide range of census, taxation, and administrative data sets - that will support evidence-based decision-making and program planning for the province's Community Development Initiative and Primary Health Care Renewal.

Accomplishments, 2004-2005

Nova Scotia Community Counts was launched to the public on January 25, 2005.

- As of the end of March, 2005, statistical summaries, data tables, charts, and thematic maps were available for provinces and territories, 9 District Health Authorities, 37 Community Health Boards, 18 counties, 52 provincial electoral districts and 278 communities in Nova Scotia
- Statistics from the Census of Population on demographics, households, education, labour and income are included.
- Although the system was in an early development stage at the end of fiscal year 2004-05, it is being widely used by Community Health Boards and other community based groups to support their planning activities.
- ACOA and OED have jointly sponsored development of a Community Development Planning Program using the Community Counts system as a foundation to support the province's new Community Development Policy. This work was initiated in February 2005 with an expected completion date of December 2005.

Priority No. 12

Ensure effective use of public funds and enhanced accountability for third party entities by supporting departments and TPB in planning and monitoring value-for-money assessments.

Accomplishments, 2004-2005

- In collaboration with TPB and the Department of Health, three value-for-money (VMA) assessments have been conducted on District Health Authorities.
- University fiscal plans were reviewed prior to a Memorandum of Understanding (MOU) to ensure reasonableness of cost projections.

Core Business Area: Central Agency Services

A core set of services that supports programs and public resources throughout the provincial government, including: corporate information systems, internal audit, statistics, and economic analysis.

Priority No. 13

In collaboration with the Office of Economic Development and the Department of Health, begin planning for the implementation of SAP in District Health Authorities.

Accomplishments, 2004-2005

- The SAP Projects Office of the Office of Economic Development completed a business review of the proposed implementation of SAP Financials and SAP HR/Payroll within the District Health Authorities. This review confirmed the business case for moving forward with the implementation of the SAP financial and HR solutions.

Priority No. 14

Improve human resource practices (e.g., supporting career planning through needs identification, professional development, job rotations) to ensure requisite skill sets and competencies and to enhance the capacity of policy and financial staff in government.

Accomplishments, 2004-2005

- Various staff were selected for policy, self-development and leadership training throughout the course of 2004-2005. Planning commenced on the roll out of a department wide Career Development and Succession Planning initiative.
- Two Career Start interns were trained and mentored.
- Through the performance appraisal process, professional development needs were identified and plans were made for the upcoming year.
- Development and implementation of a HR Strategy for the financial community continued under the leadership of the Senior Financial Executive Forum (SFEF)
- The JOHS Committee was revitalized and work place wellness brought under the oversight of the committee.

Budgeting Context

FY 2004-05

	2003/04 Estimate (Per 2004/05 Estimates Book) ($ thousands)	2003/04 Actual ($ thousands)	2004/05 Estimate (Per 2004/05 Estimates Book) ($ thousands)	2004/05 Actual ($ thousands)
Total Program Expenses - Gross (note 1)	$27,216	$25,146	$28,530	$30,307
Net Program Expenses - Net of Recoveries (note 2)	$13,235	$12,788	$14,134	$12,312
TCA Cash Flow (note 3)	$4,270	$3,528	$ 6,759	$ 5,818
Salaries & Benefits	$13,918	$12,698	$13,838	$13,674
Funded Staff - **Gross** FTEs	236.9	211.4	233.1	223.7
Funded Staff - **Net** FTEs	159.9	146.8	153.1	137.7

Significant Variance Explanations: 2004-2005 Estimate to 2004-2005 Actual

1. Total Program Expenses - Gross

An increase in total gross program expenses of $1.8 million is attributed to an increase in investment management fees for the provincial pension funds offset by savings in amortization due to a delay in the implementation of Project Emerge, as well as savings achieved through management of vacant positions and savings in general operating expenses.

2. Net Program Expenses - Net of Recoveries

A decrease in net program expenses of $1.8 million is primarily attributed to an increase in recoveries.

3. TCA Cash Flow - A decrease of $941 thousand is due to project delays which resulted in expenses being deferred to fiscal year 2005-2006.

Budgeting Context

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Measuring Our Performance, 2004-2005

The following charts reflect the measures included in the 2004-2005 Business Plan and the most recent data available.

Core Business: Financial Management

Measure: Surplus/Deficit Budget

Outcome: Effective management of the province's financial operating resources

What does the measure tell us?

This measure shows the status of the provincial budget. A balanced budget indicates government has its spending under control.

Where are we now?

The province tabled another balanced budget on April 22, 2004 budget with a surplus of $2.1 million.

Where do we want to go?

The target to meet the legislated requirement for a balanced budget was achieved again in 2004-2005. To assist government in achieving the target of a balanced budget, the Department of Finance works closely with Treasury and Policy Board to ensure expenditures are closely monitored, and continually enhances its fiscal models to improve in-house revenue forecasting.

Core Business: Financial Management

Measure: Timeliness of Public Accounts Documentation

Outcome: Open and transparent financial reporting

What does this measure tell us?

Financial statements are an audited confirmation of the financial performance and position of the province for the fiscal year. It is important for users – especially external users like debt rating agencies - to receive this information on a timely basis. These agencies use the audited information for assessment and decision-making in regard to their relationship with the province. Timely release of the information also enhances the credibility of these processes.

Where are we now?

The Department tabled the province's Public Accounts for fiscal year ending March 31, 2005 on September 28, 2005. This earlier release was in compliance with new legislation.

Where do we want to go?

Target achieved in advance of 2004-2005 target date. The department is committed to meet the legislated September 30th deadline in future years.

Core Business:	Investment and Treasury Management
Measure:	Net debt service cost expressed as a percentage of net debt outstanding
Outcome:	Effective and prudent management of the province's financial assets and liabilities

What does the measure tell us?

The measure is an indicator of the average interest cost payable on the province's net debt. However, as debt servicing costs are comprised of accounting adjustments, including various items for pension accounting, the measure is not precise.

Where are we now?

In 2004-2005, net debt service costs as a percentage of net debt outstanding remained consistent with the previous year at 6.6%.

Where do we want to go?

The measure is indicative of the general level and trend in the costs associated with the province's net debt burden. The Department continues to strive for costs associated with the net debt burden to decline. It should be noted , however that inter- provincial comparisons of this calculation are not meaningful due to varying accounting and consolidation standards and practices.

Core Business:	Investment and Treasury Management
Measure:	Percentage of foreign debt in debt portfolio
Outcome:	Effective and prudent management of the province's financial assets and liabilities

What does the measure tell us?

The measure indicates the level of foreign currency exposure and the inherent risk to net debt servicing costs when changes occur in the value of the Canadian dollar relative to the US dollar.

Where are we now?

Foreign currency exposure registered at 16.2% as at March 31, 2005. There has been marked improvement in this measure since 1995, when the percentage of foreign currency exposure was 72.2%.

Where do we want to go?

Target achieved in advance of 2004-05 target date.

Section 52A of the *Provincial Finance Act* requires the province to reduce foreign currency exposure to 20% or less, and to refinance all maturities with a term greater than one year in Canadian dollars. The Department of Finance has achieved the 20 percent foreign exchange exposure target well ahead of the target date.

Core Business:	Investment and Treasury Management
Measure:	Credit ratings of major rating agencies
Outcome:	Efficient and prudent management of the province's financial assets and liabilities

What does the measure tell us?

A credit rating is an evaluation of a borrower's ability and willingness to pay interest and to repay principal. Rating firms provide investors with these measures of credit quality of bonds or other financial instruments. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a more risky, lower-rated security.

Where are we now?

Moody's Investors Service raised the province's debt rating to A2 from A3, with a stable outlook. The investment group based its new rating on improvement in Nova Scotia's provincial debt indicators, economic gains of recent years and the government's commitment to maintaining balance budgets and achieving debt reduction objectives. A higher credit rating makes the province's bonds more attractive to investors and helps to lower the overall cost of borrowing.

Where do we want to go?

2004-05 Target achieved.

There is a need for continued diligence as the department's objective is to maintain and improve the current higher ratings.

Core Business: Investment and Treasury Management

Measure: Funded Status of Teachers' Pension and Public Service Superannuation Plans

Outcome: Effective management of the assets of the provincial pension plans

What does the measure tell us?

This is the standard measure used in the pension industry. It indicates the percentage of the pension plan's liabilities that is backed by real assets - if the plan were to be wound up at the actuarial date. The closer the funded status is to 100%, the greater the level of confidence pension plan members and beneficiaries have that their benefits are secure.

Where are we now?

The following table which shows the position for each plan, and includes the most current data available at this time.

Positions for the PSS and TPP Plans, 2002 - 2004

Year Ended	PSS	TPP
December 31, 2002	82.1%	76.8%
December 31, 2003	85.8%	81%
December 31, 2004	85.2%	81.7%

Source: Nova Scotia Department of Finance

Where do we want to go?

The original target was 100% and this continues to be the long-term goal for all pension plans. Market returns are the primary short-term driver of the overall funded status of these plans and while market returns have improved in recent years, they have not been sufficient to make up the entire shortfall.

The Department is engaged in a number of studies of its processes and, in conjunction with the plan stakeholders, will be implementing changes to lead to fully funded status in the long-term (10 - 15 years). Performance targets which take into account the new metrics will be developed upon completion of the stakeholder discussions.

Core Business: Fiscal Planning and Policy

Measure: Provincial Government Debt (Net Direct Debt) as a percentage of GDP

Outcome: Prudent and sustainable fiscal plan

What does the measure tell us?

Net direct debt (NDD) as a percentage of GDP is an indicator of the fiscal sustainability and flexibility of the province. The higher the ratios, the greater the debt burden on the residents of Nova Scotia. Due to accounting changes and corrections that must be made throughout the year, the NDD is often restated in the year-end financial statements of the province, resulting in changes to the NDD/GDP ratio. For information as to the actual accounting adjustments made, the reader is referred to *Public Accounts, Volume 1-Financial Statements, 2004-2005.*

Where are we now?

As of March 31, 2005, the NDD/GDP ratio decreased to 40.98 %. This represents a decrease from 42.64%, the restated ratio for 2003-2004.

Where do we want to go?

Our target is to continue to reduce the ratio.

Core Business: Fiscal Planning and Policy

Measure: Overall corporate income and capital tax rates

Outcome: Positive climate for investment that stimulates economic growth

What does the measure tell us?

Corporate income and capital tax rates measure the overall business tax rate applied to Nova Scotia business[1]. It is the most visible form of taxation for businesses looking to invest in Nova Scotia. This measure tells us the general tax rates applied to business income and to business capital – two major elements of business investment. By monitoring these rates, we can compare them to rates in other jurisdictions to ensure that the province remains competitive.

Where are we now?

The table provides an overview of where Nova Scotia is today in comparison with other Atlantic provinces. Although the small business rate has not changed in Nova Scotia, the threshold on which that rate applies has been increased from $300,000 to $350,000. These rates do not take into account tax credit programs that exist in Nova Scotia or the other provinces.

Atlantic Canada Business Tax Rates, 2004

	Nova Scotia	New Brunswick	PEI	Newfoundland and Labrador
General income tax	16%	13%	16%	14%
Small Business income tax	5%	3%	6.5%	5%
Large Corporations Tax (Capital Tax)	0.275%	0.3%	Nil	Nil
Corporate Capital Tax	4%	3%	5%	4%

[1] The current measure looks only at the general rates and does not include special tax incentives and targeted measures.

Where do we want to go?

The 2004-2005 target - to have the lowest level of tax burden in Atlantic Canada - has not been achieved at this time. This continues to be a long-term goal. Realistically, we will try to ensure our business tax rates remain competitive with other provinces while maintaining fiscal responsibility. Maintaining a balanced budget will allow the province to remain competitive.

Core Business: Fiscal Planning and Policy

Measure: Marginal Effective Personal Tax Rates

Outcome: Positive climate for investment/economic growth

What does the measure tell us?

Marginal effective personal tax rates look at the marginal effective tax rates in four personal income ranges - commonly referred to as the low, middle, high and high plus brackets. The measure tells us how much provincial tax an individual can expect to pay on the next dollar of *taxable income* earned, but it is not designed to measure the tax burden. In addition, the presentation of these rates in this manner enables us to compare Nova Scotia with other jurisdictions. Surtax is calculated on the amount of basic provincial taxes that exceeds a threshold.

Where are we now?

The table shows the marginal effective rates in Atlantic Canada. As a result of the move to Tax on Net Income, individual provinces are allowed to move income brackets. This has resulted in differing brackets across the country which can hinder effective comparability. We have chosen to use the terms Low, Middle, High and High Plus to distinguish the brackets in Nova Scotia. Generally, the low bracket is up to about $30,000, the middle bracket is up to about $60,000, and the High is over $60,000 and High Plus is over $93,000 in Nova Scotia ($104, 000 in New Brunswick). Surtaxes are calculated on the amount of basic provincial taxes that exceeds a threshold.

Marginal Effective Personal Tax Rates, 2004

	Nova Scotia	New Brunswick	PEI	Nfld & Labrador
Low	8.79%	9.68%	9.8%	10.57%
Middle	14.95%	14.82%	13.8%	16.16%
High	16.67%	16.52%	16.7%	18.02%
High Plus	17.5%	17.84%		
Surtax	10% over $10,000 BPT		10% over $5,200 BPT	9% over $7,032 BPT

Source: N.S. Department of Finance

Where do we want to go?

Although the 10% tax cut had to be adjusted to meet program needs, retaining the tax cut for taxpayers paying the lowest rates was progress towards the long term goal of having the lowest tax rate in Atlantic Canada.

Core Business:	Central Agency Services
Measure:	The number of electronic downloads of statistical publications (internet and intranet web sites)
Outcome:	More informed program delivery and policy development

What does the measure tell us?

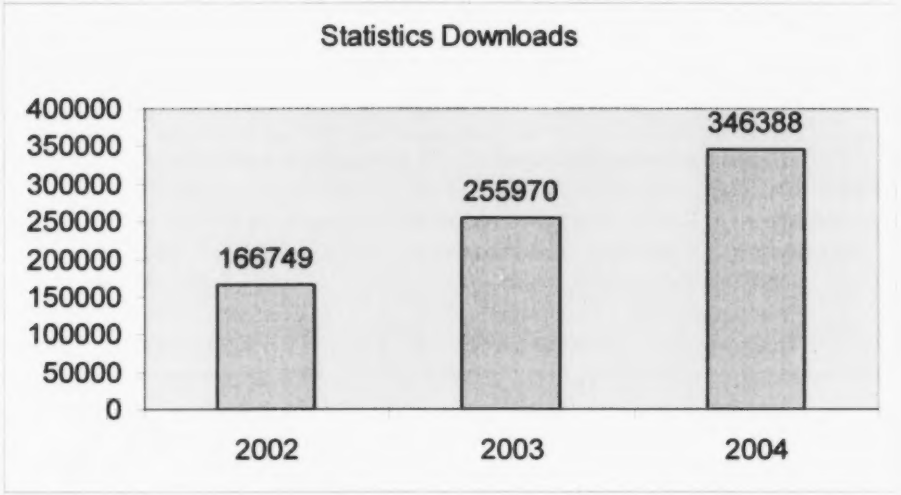
This is a measure of the number of times electronic publications were downloaded from the Economics and Statistics Division's web sites. The Economics and Statistics Division is responsible for providing government departments and agencies with advice on and access to a wide range of social and economic statistics to support evidence-based decision making and policy development. We are making a logical link between the downloading of statistics by users and their subsequent use of the statistics, which should contribute to the eventual achievement of the intended outcome - more informed program delivery and policy development.

Where are we now

In 2004, downloads of statistical publications increased 35.3 per cent over the 2003 level - less than the 53.5% increase experienced between 2003 and 2002, but a very good achievement nonetheless. The production of a new Trade publication and a new Business Statistics publication in the summer of 2005 is expected to boost statistical downloads in the future.

Where do we want to go?

We have consistently achieved the target to increase statistical downloads. While continued increased usage of the statistical information is preferred, the rate of growth is dependent on several factors, including the content and quality of the existing publications, the addition of new publications that add value to the policy decision-making process and the capacity to promote the website to other provincial government departments and agencies.



Core Business: Central Agency Services

Measure: Proportion of entities/MASH sector with systems in place to monitor third-party spending

Outcome: Effective management of the province's financial operating resources

What does this measure tell us?

The implementation of a common Enterprise Resource Management software can unite all business processes of the government into one, comprehensive system. Each application has the ability to stand alone because of the modular structure of the software. The applications address areas of operations such as accounting, materials management, utilities billing, and human resources. These applications have the potential to span the entire range of the business done by government, and they will remain current with government's changing needs.

This measure tells us the number of provincial reporting entities with effective financial management systems and the number of provincial departments which have online and realtime access to their respective provincial reporting entities' financial information.

Where are we now?

The government is providing funding and in-kind support for a number of SAP implementation projects. The following list represents where SAP financial systems have been implemented as of March 31, 2005:

- 100% of provincial departments & agencies
- 100% of regional school boards (and at the school level, implemented within the Annapolis Regional and Chignecto Regional School Boards)
- 100% of regional housing authorities

Where do we want to go?

The target is divided into sections to indicate achievement of the financial, HR SAP components, and to represent the implementation dates for the departments and school boards separately - as they occurred and continue to progress in the implementation schedule.

Target 1: Implement financial systems in all school boards by 2003-2004 - has been achieved.

Target 2: Implementation of the Human Resources module within the province - achieved as of March, 2005.

Target 3: Implementation of the Human Resources module into the School boards has been extended into the 2005-2006 fiscal year (see Business Plan, 2005-2006), given complexities of the system and limited resources.